

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7652

BILL NUMBER: HB 1820

NOTE PREPARED: Feb 23, 2007

BILL AMENDED: Feb 20, 2007

SUBJECT: State Employee Deferred Compensation Plan.

FIRST AUTHOR: Rep. Klinker

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☒ **FEDERAL**

IMPACT: State

Summary of Legislation: (Amended) This bill provides that after 30 days of employment with the state, a state employee is automatically enrolled in the deferred compensation plan unless the employee notifies the state otherwise. It requires the Auditor of State to provide notice of certain items in a state employee's first paycheck. The bill requires the state to deduct from an employee's compensation as a contribution to the State Deferred Compensation Plan an amount equal to the maximum amount matched by the state, unless the employee affirmatively chooses to contribute a different amount or zero. The bill also requires the Deferred Compensation Committee to adopt rules to implement this requirement.

Effective Date: July 1, 2007.

Explanation of State Expenditures: (Revised) *Summary:* Assuming under current law about half of new employees would choose to participate in the deferred compensation program, but 100% would under the bill, the impact would be between \$380,000 and \$850,000 for FY 2008 and from \$760,000 to \$1,700,000 for FY 2009, depending on the number of new state employees per year. This impact would be cumulative each year for several years as new employees are hired. The Auditor of State could incur some additional expense in providing notice to state employees, but since the information would be included in the first paycheck the cost is probably minor.

Background: The maximum amount the state contributes to the State Deferred Compensation Plan is \$15 per pay period, or \$390 per year. For FY 2006, the state paid \$7.27 M in deferred compensation benefits. The contribution would equate to about 18,650 employees, about 51% of all state employees, selecting to participate in the deferred compensation program. The following table shows the number of state employees hired by calendar year.

CY	Number of Employees
2006	4,453
2005	2,266
2004	1,995
2003	2,016

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected:

Information Sources: State Auditor expenditure information; State Department of Personnel Database.

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